



Office of Financial and Insurance Regulation



Ottawa Building, 611 W. Ottawa St. Lansing, Michigan



WHO WE ARE

OFIR is a Type I agency housed in the Michigan Department of Energy, Labor and Economic Growth.



OFIR is a primarily fee-funded financial service regulator, requiring minimal public tax dollars for its regulatory and consumer assistance activities.

WHO WE ARE

OFIR currently has 302 employees, who are responsible for the regulation of:

- Blue Cross Blue Shield
- 25 Health Maintenance Organizations
- 169 domestic (Michigan based) insurance companies
- 1,303 foreign insurance companies
- 139 state chartered banks
- 217 state chartered credit unions
- 1,750 investment advisers
- 2,100 securities broker-dealers
- 7,772 consumer finance lenders
- 146,419 insurance agents
- 115,000 securities agents

OFIR MISSION & GOALS

MISSION STATEMENT

- The Michigan Office of Financial and Insurance Regulation (OFIR) grows Michigan by creating a regulatory climate that promotes consumer protection and education and ensures the financial services industries are safe, sound, and entitled to the public trust.

GOALS

- Educate, empower, and protect consumers.
- Ensure institutional solvency, safety and soundness, while maintaining a regulatory environment that fosters a competitive financial services industry.
- Foster public confidence in the industries, institutions, and individuals coming under our purview.
- Ensure that industries, institutions, and individuals comply with applicable laws and rules.
- Work to make health care coverage more accessible and affordable.
- Develop, empower, and retain a 21st century workforce.
- Make home and auto insurance coverage more accessible and affordable

WHO ARE OFIR'S CUSTOMERS

The Office of Financial and Insurance Regulation (OFIR) has a variety of customers, including:

- Michigan citizens
- Michigan legislators and the Governor
- Other state departments and agencies
- Insurance carriers (including health carriers such as Blue Cross Blue Shield of Michigan (BCBSM), Health Maintenance Organizations, Multiple Employer Welfare Arrangements, surplus lines insurers, third party administrators, and alternative finance delivery systems (AFDS) and Public Employer Pooled Plans (PEPP))
- Financial institutions (banks and credit unions)
- Consumer lenders
- Insurance agents; Securities agents and broker dealers
- Entities making securities offerings under Michigan law
- And national regulatory associations with which OFIR participates.

CONTACTING OFIR

- By toll-free phone: 1-877-999-6442
- Lansing local phone: 1-517-373-0220
- On the Internet: www.michigan.gov/ofir
- In person: Ottawa Building, 3rd floor
611 W. Ottawa St.
Lansing, MI 48933

By mail: OFIR
PO Box 30220
Lansing, MI 48909-7720

The OFIR Communication Center consists of six communication representatives who respond to approximately 12,000 calls per month.

OFIR Works for Michigan Consumers

OFIR provides consumer assistance, conducts investigations and takes enforcement actions for the benefit of Michigan consumers.



**Last year OFIR staff
helped consumers recover
\$8,573,297**

HEALTH INSURANCE AGGREGATES – MICHIGAN DOMICILED CARRIERS

- Direct Premiums Written*

– 2008	\$16,226,435,097
– 2007	\$15,232,748,240
– 2006	\$14,189,618,425
– 2005	\$13,595,276,781
– 2004	\$12,848,258,751

26.3% increase between 2004-2008

*Source NAIC

HEALTH INSURANCE AGGREGATES – MICHIGAN DOMICILED CARRIERS cont.

- Number of Members*

– 2008	6,501,834
– 2007	7,224,195
– 2006	7,743,066
– 2005	7,838,106
– 2004	7,900,826

17.7% decrease in membership between 2004-2008

10.0% decrease in membership between 2007-2008

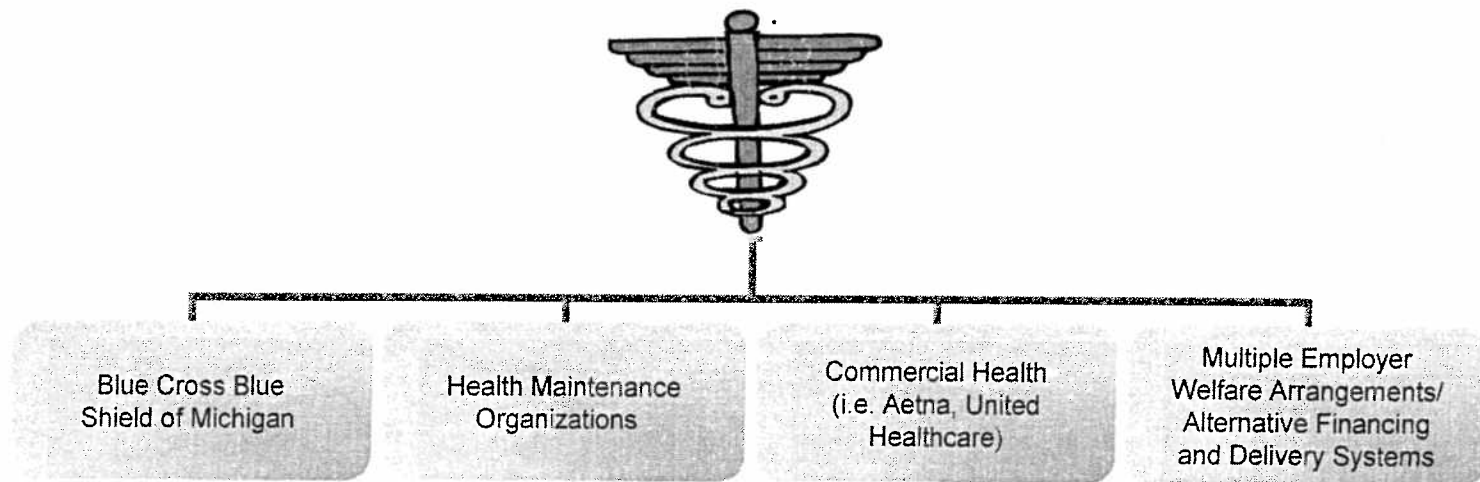
*Source NAIC

UNINSURED

- Statistics on the number of uninsured in Michigan vary, but are generally considered to be somewhere around 12%. Unfortunately, when updated statistics become available, we strongly suspect that the number will be even higher.

Which health care providers DO we regulate?

The Basics of Health Insurance



Which health care providers aren't regulated at the state level?

- Medicare – Health coverage for the elderly and disabled.
- Medicaid – Health coverage for low-income persons.
- Childrens' Special Health Care Services (CSHCS) – Coverage for children with certain medical diagnoses.

OFIR also doesn't regulate self funded health care plans.

- These benefit plans are established by employers but are usually administered by third-party administrators or insurance companies. *All claims risk is borne by the employer.*
- Self-funded plans are not considered to be insurance and are not subject to state insurance laws. They are therefore not subject to OFIR oversight.

OFIR Health Insurance Company Oversight

- **Financial Safety and Solvency** – All carriers
- **PRIRA Reviews**
- **Premium Rate Review** – All rates for Blue Cross, HMOs, Commercial Carriers (individual only)
- **Policy Form Review** – Blue Cross and HMO only
- **Provider Contract Review** – HMOs, Blue Cross (Provider Class Plans)
- **Market Conduct Review** – All carriers

Patient's Right to Independent Review Act (PRIRA)

- In addition to complaints and inquiries handled by OFIR staff, persons who have been denied a health care claim or authorization for a health service may be entitled to an independent review under the Patient's Right to Independent Review Act (PRIRA)
- Cases filed under PRIRA are reviewed by OFIR staff when they concern a contractual issue and by physicians contracted through independent review organizations (IROs) when medical issues are involved. Staff and IRO recommendations are then forwarded to the Commissioner who makes the final determination on each and every case filed.
- Since the law was passed in 2000, approximately 3,700 cases have been handled under PRIRA.

RATE REVIEW - BCBSM

- BCBSM's group business is divided into two segments.
 - **Experience Rating System (ERS)** – applies to groups with 100 or more employees. This rating system uses the claims experience of each specific employer group to develop a group's rates.
 - **Area Rating System (ARS)** – applies to groups with 2-99 employees as well as sole proprietors (sometimes known as "groups of one"). This rating system clusters groups together based on geographic location and type of business.
- BCBSM's ERS and ARS rating methodologies are reviewed at least once every three years.

RATE REVIEW - BCBSM cont.

- BCBSM's individual business is divided into three segments.
 - **Nongroup** – Applies to individuals who apply directly (or through agents/producers) and are not eligible for employer group coverage.
 - **Group Conversion** – Applies to individuals who formerly had group coverage through BCBSM but are no longer eligible (i.e individual retired, group dropped coverage, individual left the employer).
 - **Medicare Supplemental** (also called Medigap or Other than Group/OTG) – Applies to Medicare-eligible individuals who are not eligible for group retiree coverage.
- Rates for these lines of business are filed when BCBSM determines that a rate increase is necessary. BCBSM must file proposed rates with the Commissioner no sooner than 120 days before the proposed rate may go into effect.

RATE REVIEW - HMOs

- HMOs must file all rates and rating methodologies annually and must be submitted to the Commissioner no less than 60 days before their proposed implementation.

RATE REVIEW – COMMERCIAL CARRIERS

- No prior review or approval of group rates charged by commercial carriers is required. Nongroup rates must, however, be filed 30 days before proposed implementation, and OFIR staff verifies that the proposed rates meet loss ratio requirements defined in administrative rules. (55% for regular individual -- 65% for Medicare supplemental coverage)

OTHER CARRIER TYPES

- **Multiple Employer Welfare Arrangements (MEWAs)** – These are self-funded entities that include more than one employer, usually associations. While self-funded employer groups are not subject to state insurance law, MEWAs are. Rates for MEWAs must be filed for review annually.
- **Alternative Financing and Delivery Systems (AFDS)** – These are limited-line (most often single line) HMOs, such as eye care, foot care, etc. They are regulated in much the same manner as an HMO, but with much lower capitalization requirements. Premium rates must be filed whenever a rate change is being approved.
- **Public Employer Pooling Plans (PEPP)** – Similar to the MEWA, this is a type of state-created and regulated self insurance mechanism for public employers authorized by PA 106 of 2007.

ALLOWABLE CHARACTERISTICS FOR ADJUSTING RATES

- There are different ways in which carriers may adjust rates, based on the type of carrier.
- This is especially true in the individual market.

ALLOWABLE CHARACTERISTICS FOR ADJUSTING RATES cont.

- **Commercial Carriers** – Individual products are offered on an on-going basis, but are rated according to age, geography, health status and other criteria determined by the company, as long as the criteria used is not prohibited by law and is determined to be actuarially sound.
- Commercial carriers may refuse to issue coverage based on an individual's health status, but once coverage is issued, is guaranteed renewable.

ALLOWABLE CHARACTERISTICS FOR ADJUSTING RATES cont.

- **Blue Cross** – Some individual products are purely “**community rated**”* while other products are age-rated. Currently, BCBSM does not adjust rates based on geography for its individual lines of business and may not rate according to gender or health status.
 - **Medicare supplement** products are purely community rated.
- * **Community Rating** means that all customers are charged the same rate for the same benefit plan, regardless of age, geography, or health status.

ALLOWABLE CHARACTERISTICS FOR ADJUSTING RATES cont.

- **HMOs** – HMOs must offer coverage to any individual regardless of health status during one, 30-day period each calendar year. These individuals are offered coverage on a community-rated basis.
- HMOs may also offer other individual products on a guaranteed-renewable basis, but adjust rates according to age, geography, and may refuse to issue coverage based on an individual's health status.

MARKET SHARE

- Of the top 10 carriers, rated by direct premiums earned, BCBSM along with its subsidiary HMO Blue Care Network had a market share of approximately 55%.
- In addition to BCN, 7 of Michigan's HMOs were also in the top 10 and had an aggregate market share of approximately 31.5%.
- Delta Dental rounded out the top 10, with a market share of 2.94%.

MARKET SHARE cont.

- May vary slightly depending on line of business (large group, small group, or individual), but market share broken out by line of business is very close to market share as determined by the amount of direct premium written.



Questions?



